

## Message Text

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12

ACTION ABF-01

INFO OCT-01 NEA-10 ISO-00 OES-06 EB-07 TRSE-00 OMB-01

FAA-00 DOTE-00 CAB-02 COME-00 FS-01 AID-05 /034 W

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R 080904Z APR 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 1782

C O N F I D E N T I A L CAIRO 4639

EO 11652: GDS

TAGS: EIR EFIN EG US

SUBJECT: TWA EGYPTIAN POUND HOLDINGS

REF: (A) STATE 050991, (B) CAIRO 3165

1. DEPT WILL RECALL THAT EMBASSY RAISED WITH EGYPTIAN OFFICIALS THE DESIRABILITY OF PERMITTING TWA TO CONVERT INTO DOLLARS AT LEAST 400,000 POUNDS OF ITS ACCUMULATED POUND HOLDINGS. EGYPTIANS BALKED. RECENTLY RESIDENT BUSINESSMAN/SCHOLAR WILLIAM POLK, WHO HAS APPARENTLY BEEN RETAINED BY TWA AS A CONSULTANT, TOLD ME THAT TWA/NEW YORK HAD WARNED IT INTENDS SUSPEND CAIRO OPERATIONS IF ITS POUND HOLDINGS ARE NOT PERMITTED TO BE CONVERTED. POLK CLAIMS THESE POUND HOLDINGS NOW AMOUNT TO ABOUT LE 1.2 MILLION. I TOLD HIM OF OUR EFFORTS AND SUGGESTED HE, TOO, RAISE MATTER WITH MFA UNDER SECRETARY SARAF. HE APPARENTLY DID, BUT WITHOUT RESULTS. POINTING TO THEIR SEVERE LIQUIDITY CRISIS, EGYPTIANS CONTENDED THEY SIMPLY ARE UNABLE ALLOW AIRLINE POUND HOLDINGS TO BE CONVERTED.

2. FEW DAYS AGO, HOWEVER, WE LEARNED THAT LUFTHANSA WAS AUTHORIZED TO CONVERT ITS ENTIRE OPERATING PROFITS ACCOUNT, THE ONLY AIRLINE SO FAVORED. JUDGING FROM THE TIMING, IT SEEMS CLEAR THAT THE CONVERSION WAS AUTHORIZED IN CONNECTION WITH PRESIDENT SADAT'S  
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STATE VISIT TO FRG.

3. IN YESTERDAY'S MEETING WITH MINFINANCE ABU ISMAIL, I RECALLED OUR EARLIER URGING THAT TWA BE PERMITTED TO CONVERT A SUBSTANTIAL PORTION OF ITS POUNDS INTO DOLLARS. ABU ISMAIL COUNTERED WITH THE FAMILIAR ARGUMENT: EGYPT LACKS THE FUNDS TO DO SO. INSTEAD, HE HAD RECOMMENDED THAT IATA PERMIT AN ADDITIONAL 16 PERCENT SURCHARGE OVER AND ABOVE 10 PERCENT NOW LEVIED ON FARES. THESE ADDITIONAL EARNINGS, HE CONTENDED, WOULD PERMIT TWA AND OTHER AIRLINES TO BUY HARD CURRENCY ON THE PARALLEL MARKET FOR REMITTANCE PURPOSES. IATA HAD ONLY APPROVED 12 PERCENT, BUT IT IS HIS INTENTION TO GO BACK AND ASK FOR AN ADDITIONAL 4 PERCENT SURCHARGE. HE INSISTED THIS SHOULD SOLVE THE PROBLEM. (WE ARE ADVISED BY TWA THAT 12 PERCENT WAS APPROVED IN PLACE OF, AND NOT IN ADDITION TO 10 PERCENT CURRENTLY IN EFFECT, LEAVING AIRLINES WHERE THEY WERE.)

4. I TOOK NOTE OF HIS SUGGESTION, BUT POINTED OUT A NEW DIMENSION HAS COME INTO THE PICTURE. I UNDERSTOOD LUFTHANSA HAS RECENTLY BEEN ALLOWED TO CONVERT ITS HOLDINGS INTO DEUTCHMARKS. CERTAINLY TWA SHOULD BE SIMILARLY TREATED. ABU ISMAIL RUEFULLY ACKNOWLEDGED LUFTHANSA HAD RECEIVED SUCH PERMISSION, BUT CLAIMED HE HAD STOUTLY OPPOSED IT. PRIMIN SALIM HAD ORDERED IT DURING HIS ABSENCE IN RIYADH. IN ABU ISMAIL'S VIEW, THE ACTION HAD BEEN UNFORTUNATE.

5. I TOLD ABU ISMAIL THAT I WAS VERY HAPPY FOR LUFTHANSA. AS REPRESENTATIVE OF AMERICAN INTERESTS, HOWEVER, I HAD TO ASK THAT TWA BE GIVEN EQUAL TREATMENT. UNLESS THIS IS DONE, CHARGE OF DISCRIMINATION IS CERTAIN TO BE LEVELED. THIS WILL HARDLY BE HELPFUL TO OUR EFFORTS TO OBTAIN CONTINUED PUBLIC AND CONGRESSIONAL SUPPORT FOR ASSISTANCE TO EGYPT. AS I WAS SURE HE RECOGNIZED, IT IS ESSENTIAL THAT GOE TREAT AMERICAN COMPANIES ON THE SAME BASIS AS OTHER COMPANIES. ABU ISMAIL SAID HE COULD NOT DISPUTE THE POINT.

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6. ON A PERSONAL BASIS, HE SUGGESTED THAT I WRTIE A LETTER TO PRIMIN ASKING THAT TWA BE TREATED IN THE SAME MANNER AS LUFTHANSA HAS BEEN. UNLESS DEPT PERCEIVES OBJECTION, I INTEND TO DO SO NEXT WEEK.

7. HAVE INFORMED TWA REP ED CARROLL OF ABOVE. HE WAS MOST APPRECIATIVE.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AIR TRANSPORTATION, FOREIGN EXCHANGE HOLDINGS, POUND (CURRENCY)  
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**Draft Date:** 08 APR 1976  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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